# LEGISLATIVE SERVICES AGENCY
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## FISCAL IMPACT STATEMENT

**LS 6199**
**BILL NUMBER:** SB 88

**NOTE PREPARED:** Apr 13, 2011
**BILL AMENDED:** Apr 12, 2011

**SUBJECT:** Various Mental Health Issues.

**FIRST AUTHOR:** Sen. Lawson C
**FIRST SPONSOR:** Rep. T. Brown

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:** X GENERAL
DEDICATED
FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill has the following provisions:

(1) Makes changes to the third-party payor requirements concerning reimbursement for services in the First Steps Program.
(2) Provides that if a family is more than 60 days in arrears in making the cost participation payments for First Steps Program services, the Division of Disability and Rehabilitative Services (DDRS) shall charge interest on the arrears and file an application for the offset of state tax refunds due to a parent.
(3) Provides that the child may not be denied services for failure to pay the required cost participation schedule payments.
(4) Renames the Commission on Mental Health to the Commission on Mental Health and Addiction, changes qualification requirements for certain Commission members, eliminates per diem for lay members of the Commission, and extends the Commission until June 30, 2016.
(5) Changes the allocation of federal aid used for local drug abuse and alcohol abuse programs.
(6) Redefines the services provided by community mental health centers and specifies that instead of a continuum of care, these services are to be provided.
(7) Redefines "Class I Child Care Home" to include full-day kindergarten-level children as part of the three additional children that may be served during the school year.
(8) Eliminates the authority of the Division of Mental Health and Addiction (DMHA) to license respite care.
(9) Changes elements of community-based residential programs.
(10) Eliminates the duty of DMHA to submit a biennial report to the Governor and the Legislative Council on the evaluation of the continuum of care.
(11) Makes conforming changes.
(12) Repeals: (a) provisions providing for respite care for persons with mental illness; (b) a provision listing

elements of community residential programs; (c) provisions establishing and governing Children's Mental Health Bureau; (d) certain placement provisions for community residential facilities; and (e) definitions made obsolete by the bill.

(The introduced version of this bill was prepared by the Commission on Mental Health.)

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** (Revised) *First Steps Program Changes*: Under the bill, a child may not be denied First Steps services due to the family's inability to pay cost participation payments under the program. The FSSA reports that currently, the DDRS can suspend services to families who fall 60 days past due on First Steps cost participation.

The FSSA estimates this change will increase state expenditures by a minimum of $150,000 per year. However, the ability of the FSSA to utilize the state tax intercept (also included in this bill) may minimize any increase in state expenditures that result from the change in the suspension of First Steps services. The net impact to state expenditures is indeterminable and will depend on (1) FSSA's ability to recover unpaid balances through a tax intercept and (2) the number of families who elect not to make cost participation payments but continue to receive First Steps services.

(Revised) *Third-Party Liability Payment for First Steps*: The bill changes language regarding third-party liability (TPL) plans for the First Steps Program. FSSA reports these changes will dramatically decrease administrative time that is required to submit numerous requests for reimbursement to TPL payors.

The State Personnel Department reports that the language that affects the state employee health plan may increase health plan costs. The actual increase in health plan costs is currently unknown. If this bill increases the total cost of the state employee health plan, it is not known how much of the cost increase will be borne by the state and how much will be borne by the health plan enrollees. [At the time of the writing, information on the potential fiscal impact to the state employee health plan as a result of this language was unavailable from the Indiana State Personnel Department. This fiscal note will be updated as this information is provided.]

According to FSSA, the process to submit individual child service claims for reimbursement to insurance plans is a cumbersome process and often requires frequent contact with TPL payors to collect payments. FSSA reports that in many instances, prior authorization or in-network requirements apply, which prohibit the state from receiving funding for First Steps services. FSSA reports these difficulties have resulted in a low rate of payment for services from children with private insurance and high administrative costs to collect TPL payments.

*Continuum of Care*: By changing the definition of "continuum of care", state expenditures may change to the extent (1) previously covered services are not included or (2) additional services are included, in a revised definition made by FSSA. Any change in expenditures depends on the decisions of FSSA administrators.

*Definition of "Case Management"*: This bill changes the definition of "case management" under community care for individuals with mental illnesses. FSSA reports this definition is being removed from statute to allow DMHA the ability to change the definition of case management through the rule promulgation process and will allow DMHA to update this definition based on federal requirements in the Medicaid program and from federal health care reform. DMHA is currently working with providers to define continuum of care and any fiscal impact will depend on the revised definition made through the rule promulgation process. Any fiscal impact is indeterminable at the present time.

*DMHA Biennial Report*: The bill removes the requirement that DMHA submit a biennial continuum of care report on to the Governor and Legislative Council. This is expected to decrease the workload of the DMHA.

*Children's Mental Health Bureau Repeal*: FSSA reports these positions are federally funded and any changes made to the Bureau are expected to have no impact on state expenditures. FSSA also reports federal changes are likely to this program and repealing language regarding the Bureau will allow DMHA more flexibility in responding to these changes.

*Commission on Mental Health*: This bill provides the 13 lay members of the Commission on Mental Health and Addiction (COMH) shall serve without receiving per diem and travel reimbursement. For the 2010 interim, Commission on Mental Health expenditures for lay member per diem and travel reimbursement totaled $4,550. This bill is expected to decrease state expenditures by about $4,500 per year.

Additionally, the bill extends the Commission for 5 more years (until June 30, 2016). This bill will result in a continuance of expenditures for legislator per diem and travel reimbursement for that 5-year period. For the 2010 interim, Commission expenditures for legislator per diem and travel reimbursement totaled $2,200.

*Provisions That Have No Fiscal Impact*:

(1) The bill makes changes to the following: (a) community residential programs, (b) managed care provider, (c) residential facility for the mentally ill, and (d) respite care. The changes in this bill are expected to have no fiscal impact and, as reported by FSSA, are intended to provide either clarification or update terminology.

(2) The bill adds that the Community and Home Options to Institutional Care for the Elderly and Disabled Board is required to establish long-term goals of the state for the provision of continuum of care for the elderly and disabled based on services that promote behavioral health and prevent and treat mental illness and addiction. FSSA reports these services should already be in place.

(3) The bill changes duties of the director of DMHA regarding licensing and certifying residential programs for individuals with serious mental illness (SMI), serious emotional disturbance (SED), and chronic addiction (CA).

(4) The bill changes the name of the Commission on Mental Health to the Commission on Mental Health and Addiction.

(Revised) (5) The bill changes the definition of a Class I Child Care Home to one that serves children who are at least enrolled in full-day kindergarten (rather than first grade). FSSA reports this provision is expected to have no fiscal impact on the state.

**Explanation of State Revenues:** *State Tax Intercept*: Under the bill, if a family is more than 60 days delinquent in making First Steps cost participation payments, the DMHA would be authorized to (1) add interest to the unpaid balance until paid in full and (2) request the Department of State Revenue (DOR) to set off a person's state tax refund to apply to any unpaid balances. This process may increase revenue received by agencies that provide First Steps services as well as revenue received by the DOR. The actual increase in revenue is indeterminable; however, the FSSA estimates this provision may increase revenue received from state tax intercepts by at most $200,000 annually.

(Revised) *First Steps Program*: FSSA reports the changes in the bill will allow the Administration to increase revenue the state receives from TPL payors through a capitated rate or monthly fee for First Steps services. FSSA estimates that with the implementation of capitated rates, state revenue from TPL payment for First Steps services will increase by $5 M per year.

(Revised) *Billing One Child Per Household*: The bill specifies that a cost participation plan used for the First Steps Program may allow the DDRS to require a copayment for only one child per family during a billing period. The FSSA reports this change is expected to decrease revenue to the First Steps Program by approximately $100,000 per year.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** FSSA, Legislative Services Agency.

**Local Agencies Affected:**

**Information Sources:** Susie Howard, FSSA; Gina Eckart, DMHA.

**Fiscal Analyst:** Bill Brumbach, 232-9559.